



American
Hotel & Motel
Association

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August 27, 1992

Ms. Donna R. Searcy
Secretary
Federal Communications Commission
Room 222
1919 M Street, N.W.
Washington, D.C. 20554

Re: CC Docket No. 92-77, NPRM Released May 8, 1992, Billed Party Preference for
0+ InterLATA Calls

Enclosed are the reply comments of the American Hotel & Motel Association to the
above referenced Notice of Proposed Rulemaking by the Commission.

I certify that an original of these comments is being submitted, along with nine
copies so that each Commissioner may have a personal copy. In addition, a further
copy is being submitted for filing with the Dockets Reference Room (Room 230) of
the Commission.

Any questions or comments regarding this filing can be directed to my attention at
202/289-3120.

Sincerely,

Brian Kinsella
Manager
Governmental Affairs

Enclosures

cc: Thomas Youngblood

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Before the
Federal Communications Commission
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)

Billed Party Preference)
for 0+ InterLATA Calls)

CC Docket No. 92-77

To: The Commission

Reply Comments of the

American Hotel and Motel Association

Introduction

The American Hotel & Motel Association ("AH&MA") submits reply comments in the above-captioned Notice of Proposed Rulemaking ("NPRM"), FCC Docket No. 92-77. AH&MA represents some 10,000 individual lodging properties across the U.S., the District of Columbia, Puerto Rico and the Virgin Islands. Assuming that most of the 3.1 million transient rooms in the country have at least one telephone (many have two or more), the lodging industry conservatively accounts for 3 million in-room telephones offered as an amenity to our guests. Telephone service is one of many service and amenity offerings made available to paying customers, customers who always have the ability to express their disapproval with any hotel service—be it objectionable food, unsatisfactory bathroom soaps, or shoddy telephone service—by never returning.

AH&MA refers the reader to our original comments (*Comments of the American Hotel & Motel Association in re: FCC CC Docket No. 92-77*) for AH&MA's complete views on this docket. AH&MA herein submits its reply comments.

I. BPP in concept and in application directly conflicts with the existing legal and regulatory scheme governing interstate operator-assisted calling.

A. The consumer goals outlined in the NPRM have already been achieved.

According to AT&T, the billed party is already able to designate the preferred IXC for almost 90 percent of interLATA operator-services calls. (See AT&T at 8.) The current availability of 800 and 950 access, and the evolving availability of 10XXX access, already provide most of the BPP benefits of customer choice and control. The American Public Communications Council ("APCC") notes that "[t]he careful balance struck by Congress" in the enactment of the TOCSIA¹ would be completely upset and that BPP benefits being sought have already been achieved. (See APCC at 14 and 17.) Bell South comments that "[I]n their totality, these measures *{TOCSIA and ensuing Commission regulations}* represent a significant curative for the abuses which were previously endemic to the industry and which BPP was intended to address *{bracketed text added}*." (See Bellsouth Telecommunications at 5.) NYNEX (p. 14, footnote), CompTel (p. 3) and many others, including the Commission, acknowledge that consumers now have ready access to the OSP of choice.

B. While access code calls could subvert LEC cost recovery under BPP, 10XXX access code processing will represent a significant portion of LEC BPP implementation costs.

U.S. West (p. 20), Bell Atlantic (p. 7), Southwestern Bell (p. 11), Bell South (p. 12-13), and NYNEX (p. 18) have all pointed out that under the simultaneous existence of access codes and BPP, IXCs will have a strong financial incentive to circumvent BPP transaction costs by instructing their customers to use access codes. Even absent active IXC encouragement to bypass BPP, several more years will have transpired before BPP can be implemented, a substantial amount of addi-

^{1/} *Telephone Operator Consumer Services Improvement Act of 1990, P.L. 101-435.*

tional time during which consumers will increasingly use and become more accustomed to access codes.

The 10XXX access code presents some unique problems under BPP. In addition to burdening aggregators with significant financial and administrative costs, processing 10XXX access calls under a BPP environment represent a significant portion of LEC implementation costs.

U.S. West claims that approximately \$68 million must be spent to provide the capability to recognize and segregate 10XXX-0+ and 00- from 0- and 0+ traffic. (See U.S. West Communications at 6.) This represents almost 46% of its total BPP implementation costs. Bell Atlantic says that, "[A] significant portion of the up-front cost of billed party preference — more than \$50 million — will be incurred to upgrade the network to accommodate 10XXX dialing in a billed party preference environment." (See Bell Atlantic at 7.)

Access-code calls already provide most of BPP's reported benefits, and are extremely problematic in a BPP environment. Under BPP, they would present both significant up-front costs, impair cost-recovery for local exchange carriers, while 10XXX continues to plague the lodging industry with toll fraud.

II. AH&MA is greatly concerned about the costs of BPP, costs that will ultimately be borne by the consumer.

While even this latest round of comments provides inconclusive cost data, there is still no denial that BPP will come at great expense. The aggregate costs to the seven RBOCs would approach \$1 billion according to the cost data provided under this docket (over \$800 million if BPP is implemented universally). This does not include the costs aggregators and interexchange carriers must bear (\$53 million to Sprint alone). (See Sprint Corporation at 20).

Hotels and motels will be subject to significant costs in reprogramming and retraining CPE. These costs would be placed on top of those being currently incurred to comply with TOCSIA and its ensuing regulations. Additional costs will be faced in increased line charges from LECs at the same time message revenues will shrink. The financial prospects for hotels and motels under BPP are dim.

Most of the RBOCs' comments include a contingency for full cost recovery, "[c]ost recovery of the significant costs involved in deploying this technology must be assured." (See Pacific Bell at 24.) "Unless LECs can be assured of full recovery of total unseparated implementation costs, USWC would oppose billed party preference." (See U.S. West at 19.) AH&MA knows where these costs (approaching \$1 billion) will be ultimately recovered—from network users, aggregators and rate payers. NYNEX recommends that the most appropriate method for recovering BPP costs would be through increased End User Common Line ("EUCL") charges. NYNEX feels that, "[o]n balance, the cost of billed party preference outweighs the benefits to the public." (See NYNEX at 3.)

Significant telecom cost increases for both aggregators and consumers in covering BPP costs, coupled with the potential loss of 0+ revenues, would send severe shock waves throughout the lodging industry just coming to grips with 10XXX unblocking.

III. BPP is regressive on many fronts: technology, public policy, and the availability of transient telephone service.

CompTel says that "[i]t is difficult to see how some of the most promising technical innovations in the operator services area will work at all in a billed party preference environment." (See CompTel at 18.) AT&T says that BPP could significantly limit its ability to use voice recognition technology, on which it has invested tens of million of dollars. BPP could also affect other desirable customer features,

such as sub-account billing. (AT&T at 15-16.) The APCC and CompTel note that access to competitive access providers ("CAPs"), a service being used by a significant portion of the lodging industry, would be thwarted under BPP. (See APCC at 11, CompTel at 20.)

BPP would have a negative impact on current market incentives to increase (or maintain for that matter) the quantity and quality of telephone installations. Under BPP, these market incentives would be lost, and growth in transient telephone services would wither. Both the APCC and NYNEX share this view (See APCC at 29, NYNEX at 16.)

The APCC points out that BPP would reverse Commission telecommunications public policy as it's evolved over two decades in the areas of CPE, enhanced service offerings, resale and shared use of long-distance services, and local exchange carrier competition. BPP would reverse the statutory policy of the TOCSIA and its subsequent Commission regulations. (See APCC p. 4-18.)

"Resale and Shared Use" in 1980¹ was a watershed decision that enabled the continuing 12-year explosion in premises-based telecommunications services now available to the traveling public. The U.S. lodging industry is proud of state-of-the-art telecom services that are unmatched anywhere in the world. BPP would severely curtail and contract this growth.

BPP would also reverse successful public policy launched by the Modification of Final Judgement by recentralizing monopolistic powers at the LEC level. CompTel points out that BPP would establish LECs as the unavoidable gatekeepers for all transient calling, "[p]roviding them with the ability to exploit their monopoly power in ways which cannot even be envisioned today." (See CompTel at

^{1/} *Regulatory Policies Concerning Resale and Shared Use of Common Carrier Domestic Public Switched Network Services*, 83 FCC 2d 167 (1980).

24.) This remonopolization of network intelligence flies in the face of past Commission policies.

IV. If the Commission finds BPP to be in the public interest, then eliminate 10XXX upgrading requirements, prescribe origination compensation for all operator service messages, ensure aggregators are never billed for BPP calls, implement BPP universally and ubiquitously, and do it without requiring CPE upgrades.

A. Eliminate the requirements for 10XXX unblocking.

The costs and technical problems associated with simultaneous 10XXX and BPP access were discussed earlier in section I. B. of these comments. The existing regulatory scheme must be altered if BPP is adopted. U.S. West agrees, "[a] clear tension exists between billed party preference and existing access code dialing mechanisms which the Commission must resolve . . ." (See U.S. West at 20.) BPP could be implemented before the final phase-in of the current schedule for 10XXX access.¹ Many parties have estimated a two-to-three year implementation period for the first stage of BPP.

B. Prescribe message origination compensation to aggregators for all so-called "public" phones.

The following parties recognize the need for Commission prescribed message origination compensation: Ameritech (p. 23), Bell Atlantic (p. 9), U.S. West (p. 14-15), Bell South (p. 17 footnote), APCC (p. 36), Airports Association Council International (p. 18), and CompTel (p. 25-26).

U.S. West recommends that in ordering BPP, the Commission should also prescribe compensation for all operator-assisted calls, "[a]t a level comparable with current commission payments." (See U.S. West at 14.) Bell Atlantic says that it,

^{1/} According to *Order on Reconsideration*, CC Docket No. 91-35, adopted June 23, 1992.

"[i]s appropriate to compensate all payphone providers or their customers for calls placed on a billed party preference basis." (See Bell Atlantic at 9). According to Ameritech, "[T]he Companies have consistently supported implementation of BPP in conjunction with a compensation mechanism for premises owners for inter-LATA BPP calls, similar to the compensation mechanism being evolved for dial-around calls." (See Ameritech at 23.)

C. Implement BPP universally and ubiquitously.

Most commentators addressing this point agree that if BPP is ordered, it should be ordered for all 0+/0- calls from all phones throughout all areas of the country. As Ameritech said, "[B]PP should be deployed universally on all lines and should apply to all 0+ and 0- calls." (See Ameritech at 7.) Sprint, MCI, Pacific Bell, Bell Atlantic, U.S. West, Southwestern Bell, Bell South and NYNEX all agree on this point. Less than universal availability of BPP would only add to consumer confusion. There don't appear to be major cost differentials between more limited BPP deployment and universal coverage.

D. Rely on AABS and SS7 to solve the "double operator" problem, don't rely on modifications to installed CPE.

Pacific Bell and Nevada Bell agrees with AH&MA that the Commission should not order the upgrading or installation of CPE to perform storage and transmission of caller information as a method to solve the "double operator" problem. According to Pacific Bell, "bong tone" technology would be prohibitively expensive to deploy to each phone set, "[T]he Pacific Companies do not believe that this is a viable alternative." (See Pacific Bell and Nevada Bell at 11.)

Conclusion

AH&MA believes that BPP is in conflict with the existing statutory and regulatory scheme governing interstate operator-services calls. If the Commission

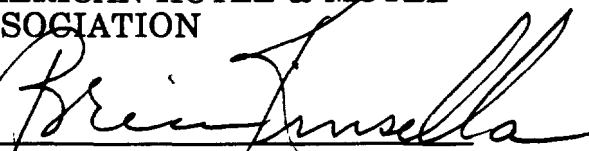
deems BPP to be in the public interest, then it should abandon its current regulations, prescribe message origination compensation for all 0+ calls for all so-called public phones (aggregator phones), and require universal deployment of BPP.

This is an era of increased concern for crippling the country's international competitiveness by overburdening industry with complicated and expensive regulation. The Commission has just finished its most intrusive and expensive regulatory action to date into telephone services offered by hotels, hospitals, and other aggregators. While past action was taken under a Congressional mandate (TOCSIA), action under this docket is purely under the Commission's control. AH&MA asks the Commission to let the current regulatory scheme work, and to abandon its consideration of billed party preference.

Respectfully submitted,

AMERICAN HOTEL & MOTEL
ASSOCIATION


by:


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August 27, 1992

CERTIFICATE OF SERVICE

I, Brian Kinsella, do hereby certify on this 27th day of August, 1992, that I have caused a copy of the foregoing **REPLY COMMENTS OF THE AMERICAN HOTEL AND MOTEL ASSOCIATION** to be served via United States first class mail, postage prepaid, to the persons named on the attached service list.



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